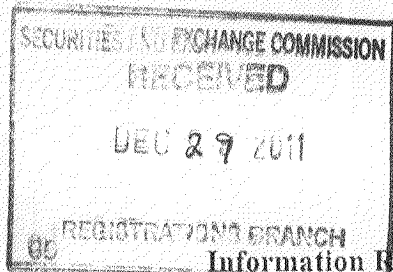


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 22027

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10-01-2010 AND ENDING 9-30-2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Kentucky Securities Corp.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

395 Ann Street, Suite 400

(No. and Street)

Frankfort

Kentucky

40601

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Frederick J Kramer

(502) 875-4611

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mountjoy Chilton and Medley

(Name - if individual, state last, first, middle name)

200 Meidinger Tower

462 S Fourth Street

Louisville

Kentucky

40202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

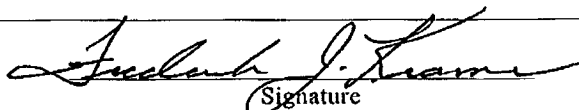
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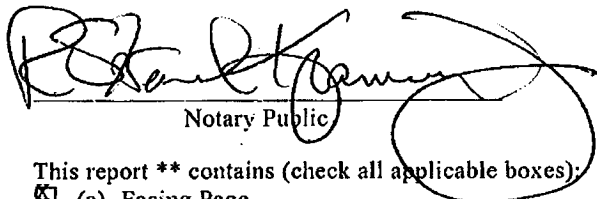
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OATH OR AFFIRMATION

I, Frederick J Kramer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Kentucky Securities Corp, as of November 23, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Chief Financial Officer
Title


Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. **Not Required**
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report. **Not Required**
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

Not Required

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

First Kentucky Securities Corporation and Subsidiary

Consolidated Financial Statements

September 30, 2011 and 2010

First Kentucky Securities Corporation and Subsidiary

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Mountjoy
Chilton
Medley LLP

Independent Auditor's Report on Consolidated Financial Statements

To the Board of Directors
First Kentucky Securities Corporation and Subsidiary

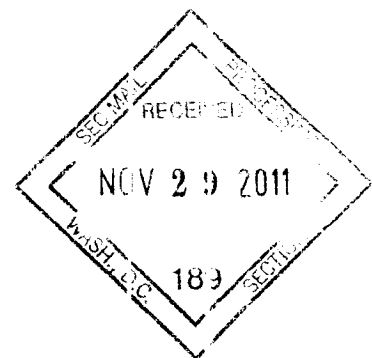
We have audited the accompanying consolidated statements of financial condition of the First Kentucky Securities Corporation (a Kentucky Corporation) including its wholly owned subsidiary, First Credit Advisors, Inc. (collectively "the Company"), as of September 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in above present fairly, in all material respects, the financial position of the First Kentucky Securities Corporation and Subsidiary as of September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
November 28, 2011



Louisville

2000 Meidinger Tower
462 South Fourth Street
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Suite 200
Lexington, KY 40507

Frankfort

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Cincinnati, OH 45202

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First Kentucky Securities Corporation and Subsidiary
Consolidated Statements of Financial Condition
September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 111,701	\$ 34,845
Accounts receivable - trade	114,414	63,585
Securities held in inventory	441,188	777,258
Advances to employees	100	3,800
Deferred tax assets	-	77,476
Prepaid expenses and other	4,606	12,092
Deposit held with clearing house	100,000	100,000
Total Current Assets	772,009	1,069,056
Other Non-Current Assets		
Advances to employees	-	100
Cash surrender value of insurance	-	19,682
Deferred tax assets, non-current	39,280	-
Total Other Non-Current Assets	39,280	19,782
Total Assets	<u>\$ 811,289</u>	<u>\$ 1,088,838</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Note payable	\$ 200,710	\$ 684,047
Accounts payable	51,243	21,598
Accrued liabilities and other	47,470	69,091
Total Current Liabilities	299,423	774,736
Other Non-Current Liabilities		
Deferred revenue	100,000	-
Total Liabilities	399,423	774,736
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$500 par value, 200 shares authorized, 133 issued and outstanding	66,500	66,500
Additional paid-in capital	134,376	134,376
Retained earnings	210,990	113,226
Total Stockholders' Equity	411,866	314,102
Total Liabilities and Stockholders' Equity	<u>\$ 811,289</u>	<u>\$ 1,088,838</u>

See accompanying notes.

First Kentucky Securities Corporation and Subsidiary
Consolidated Statements of Operations
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Advisory fees	\$ 123,350	\$ 152,968
Commissions	2,130,792	1,832,443
Consulting fees	-	150
Designated sales	71,721	118,744
Fiscal agent fees, net	164,379	250,297
Handling fees	19,340	13,438
Interest	12,828	7,777
Joint account fees	12,434	41,580
Managed account fees, net	956,064	857,384
Miscellaneous	27,666	24,634
Rental	2,750	-
Trading account fees	89,055	137,194
Underwriting, net	63,162	12,073
	<hr/>	<hr/>
Total Revenues	3,673,541	3,448,682
Expenses		
Advertising	9,532	31,173
Bank charges	420	1,200
Employee benefits	108,146	104,541
Charge-offs	4,802	-
Clearing fees	163,883	156,025
Contract labor	139,583	175,965
Donations	11,100	5,750
Dues and subscriptions	19,730	13,864
Employee and customer relations	1,392	1,492
Equipment repairs and maintenance	7,544	8,373
Fiscal agency expense	1,431	1,945
Information systems	104,286	103,979
Insurance	7,818	10,657
Interest	6,162	6,081
Licenses and registrations	3,857	3,570
Managed account expense	30,160	30,434
Miscellaneous	11,583	13,314

First Kentucky Securities Corporation and Subsidiary
Consolidated Statements of Operations (Continued)
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Expenses (Continued)		
Office supplies	\$ 25,324	\$ 45,514
Postage and shipping	7,609	9,652
Professional fees	20,613	22,892
Regulatory fees	49,808	37,752
Rent	135,199	127,538
Retirement	43,665	51,381
Salaries, commissions and related taxes	2,512,555	2,460,391
Taxes and licenses (occupational)	2,004	14,125
Telephone and internet access	22,862	31,947
Training	6,025	2,998
Transfer fees	-	50,973
Travel and entertainment	11,700	19,730
Underwriting expenses	-	7,705
Utilities	10,147	7,941
Vehicle expense	<u>27,435</u>	<u>34,050</u>
Total Expenses	<u>3,506,375</u>	<u>3,592,952</u>
Net Income (Loss) before Income Taxes	167,166	(144,270)
Income Tax Expense (Benefit)	<u>69,402</u>	<u>(55,605)</u>
Net Income (Loss)	<u><u>\$ 97,764</u></u>	<u><u>\$ (88,665)</u></u>

See accompanying notes.

First Kentucky Securities Corporation and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended September 30, 2011 and 2010

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>		
Balances September 30, 2009	133	\$ 66,500	\$ 134,376	\$ 201,891	\$ 402,767
Net loss	-	-	-	(88,665)	(88,665)
Balances September 30, 2010	133	66,500	134,376	113,226	314,102
Net income	-	-	-	97,764	97,764
Balances September 30, 2011	<u>133</u>	<u>\$ 66,500</u>	<u>\$ 134,376</u>	<u>\$ 210,990</u>	<u>\$ 411,866</u>

See accompanying notes.

First Kentucky Securities Corporation and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 97,764	\$ (88,665)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Deferred taxes	38,196	(55,605)
Changes in assets and liabilities:		
Accounts receivable	(50,829)	43,553
Securities held in inventory	336,070	(597,715)
Good faith deposits	-	30,900
Advances to employees, net	3,800	(200)
Prepaid expenses and other	7,486	(9,299)
Cash surrender value of insurance	19,682	(1,376)
Accounts payable	29,645	872
Accrued liabilities and other	(21,621)	33,346
Deferred revenue	<u>100,000</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	560,193	(644,189)
Cash Flows from Financing Activities		
Note payable, net	<u>(483,337)</u>	<u>631,783</u>
Net Cash (Used) Provided by Financing Activities	<u>(483,337)</u>	<u>631,783</u>
Net Increase (Decrease) in Cash and Cash Equivalents	76,856	(12,406)
Cash and Cash Equivalents at Beginning of Year	<u>34,845</u>	<u>47,251</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 111,701</u></u>	<u><u>\$ 34,845</u></u>
Supplemental Disclosure:		
Cash paid during the year for interest	\$ 6,162	\$ 6,081

See accompanying notes.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Note A - Nature of Organization and Operations

First Kentucky Securities Corporation and Subsidiary ("the Company"), a Kentucky C-corporation, is a full service broker-dealer with offices in Frankfort, Lexington and Louisville, Kentucky. The Company is registered as a securities broker-dealer under the Securities and Exchange Act of 1934 and is a member of Financial Industry Regulatory Authority ("FINRA"). The Company specializes in providing financial advisory services to public entities and in the trading and underwriting of Kentucky tax free municipal bonds.

First Kentucky Securities Corporation's wholly owned subsidiary, First Credit Advisors, Inc. provides consulting and advisory services to institutions in states other than Kentucky. The subsidiary had limited activity in 2011 and 2010, respectively.

The consolidated financial statements for September 30, 2011 and 2010 include all the transactions for First Kentucky Securities Corporation and First Credit Advisors. All significant intercompany transactions and balances have been eliminated in consolidation.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The consolidated financial statements of the Company are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Accounting Standards Codification (ASC), as produced by the Financial Accounting Standards Board (FASB), is the sole source of authority GAAP.
2. Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant estimate is the allowance for uncollectible advances to employees and commissions. Actual results could differ from those estimates.
3. Cash and Cash Equivalents: The Company considers all highly liquid investments with original maturities of three months or less that are not segregated and on deposit for regulatory purposes to be cash equivalents. Cash and cash equivalents include money market funds and deposits with banks. The Company periodically maintains cash in excess of federally insured levels.
4. Revenue Recognition and Accounts Receivable: The Company's securities transactions and the related profit or loss are recorded on a trade date basis. Revenues and fees from advisory, consulting, account management and other income are recognized when the related service has been performed by the Company.

The Company uses an independent broker-dealer to serve as their clearing house and customer account record keeper. This broker-dealer processes and settles all of the Company's transactions with the national exchanges. As a result, from time-to-time, the Company will have amounts owed to them from this broker/dealer for commissions and fees earned. As of September 30, 2011 and 2010, the Company had commission's receivable (recorded in accounts receivable) from the clearing house of approximately \$102,000 and \$59,000, respectively. Other receivables are due from certain financial institutions for whom the Company provides advisory services. The management of the Company considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. If the accounts receivable become uncollectible, write-offs will be charged to operations when that determination is made.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note B - Summary of Significant Accounting Policies (Continued)

5. Securities Held in Inventory: The Company purchases and holds certain municipal bonds and certain preferred stock that it deems saleable, and records the purchase cost. The Company carries these investments at fair value, as determined by management. The result in differences between cost and estimated fair value (unrealized gains and losses) are included in the consolidated statements of income at the end of a reporting period. When a security is sold from inventory, a realized gain or loss is recognized. The period of time these securities are held is usually less than sixty days.
6. Good Faith Deposit: Periodically, the Company will commit to purchase certain municipal bonds upon issuance. As part of the commitment, the Company is often required to make a deposit to secure their buying position.
7. Property and Equipment: Property and equipment are recorded at cost and depreciated over their estimated useful lives in accordance with the straight line depreciation method. The cost, accumulated depreciation and net book value of property and equipment are listed in Note E. All property and equipment is fully depreciated, therefore there was no depreciation expense for the fiscal years ended September 30, 2011 and 2010.
8. Deposit held with Clearing House: As part of the above mentioned agreement (Note B4) with another broker/dealer, the Company is required to maintain a \$100,000 cash deposit with the clearing house. The Company has complete ownership and receives interest income on the funds, but is required to maintain the deposit as security until termination of the agreement with the clearing house.
9. Deferred Revenue: During 2011, the Company entered into a three year contract extension with RBC Dain for Dain to be the Company's clearing house. In exchange for this extension, the Company received \$100,000. The contract extension begins in September 2012 and will continue for three years. The \$100,000 will be recognized as revenue over the life of the extension period.
10. Net Capital Requirements: Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934 ("the Rule"), the Corporation is required to maintain a minimum net capital equal to the greater of (i) 120% of \$100,000 or (ii) 6.67% of aggregate indebtedness. The Rule also requires that the Company's ratio of aggregate indebtedness to net capital not exceed 15 to 1 as computed under the Rule. The Corporation makes and files the required net capital calculations as necessary. Net capital and aggregate indebtedness at September 30, 2011 and 2010 are shown on page 16 of this report, as a component of supplementary information.
11. Income Taxes: The Company is a "C" Corporation for federal and state income tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The FASB has issued new standards, contained in the ASC, clarifying the accounting for uncertainty in income taxes recognized in annual financial statements for fiscal years beginning after December 31, 2008. These standards require recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The Company adopted these standards, as required and determined that no material adjustment for tax exposures or unrecognized tax benefits was required under the recognition and measurement and disclosure guidance of the new standard. The Company has adopted a policy of recognizing interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During 2011 and 2010, the amount of interest and penalties recognized by the Company was immaterial.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note B - Summary of Significant Accounting Policies (Continued)

12. Advertising Costs: Advertising costs are expensed as incurred except for advertising costs that have a contractual life. Advertising costs with a contractual life are amortized over the life of the contract. Advertising costs included in the accompanying consolidated statements of income were \$9,532 and \$31,173 for the years ended September 30, 2011 and 2010, respectively.
13. Book Value Per Share: Total book value per share was approximately \$3,097 and \$2,362 as of September 30, 2011 and 2010, respectively.
14. Subsequent Events: Subsequent events of the Company have been considered through the date of the Independent Auditor's Report which represents the date the consolidated financial statements were available to be issued.
15. Reclassifications: Certain reclassifications were made to the 2010 consolidated financial statements to conform to the 2011 presentation with no effect on consolidated net income or stockholders' equity.

Note C - Fair Value of Financial Instruments

In January 2010, the FASB issued guidance which expands the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The Company has adopted this guidance with no material impact on its financial statements.

Securities held in inventory are carried at fair value at September 30, 2011 and 2010. Investment income or loss (including interest, dividends, and realized gains and losses) and unrealized gains and losses related to securities held in inventory are reported as gains or losses in the statements of income.

The Company follows the fair value provisions of the ASC. These provisions define fair value as the price that would be received to sell the asset or paid to transfer the liability to a market participant. They also establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note C - Fair Value of Financial Instruments (Continued)

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company utilizes a clearing house for the valuation of the majority of securities held. This clearing house is an independent, third party vendor recognized to be an industry leader with access to market information who obtains or computes fair market values from quoted market prices, pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models. For valuations obtained from the clearing house, the Company performs due diligence to understand how the valuation was calculated or derived, focusing on the valuation technique used and the nature of the inputs.

The following section describes the valuation methodologies used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instrument is generally classified.

Cash and Cash Equivalents

The valuation of securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and U.S. Treasury bills.

Securities Held in Inventory

Securities valued using Level 1 inputs would include highly liquid government bonds for which quoted market prices are available. Securities using Level 2 inputs are valued using pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models utilizing observable inputs. Most fixed income securities are valued using Level 2 inputs. Level 2 includes municipal bonds and preferred securities.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note C - Fair Value of Financial Instruments (Continued)

Assets measured at fair value on a recurring basis are summarized below:

	September 30, 2011			
	Fair Value Measurements Using			Assets at Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Cash and cash equivalents	\$ 111,701	\$ -	\$ -	\$ 111,701
Securities held in inventory	-	441,188	-	441,188
Total Assets	\$ 111,701	\$ 441,188	\$ -	\$ 552,889

	September 30, 2010			
	Fair Value Measurements Using			Assets at Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Cash and cash equivalents	\$ 34,845	\$ -	\$ -	\$ 34,845
Securities held in inventory	-	777,258	-	777,258
Total Assets	\$ 34,845	\$ 777,258	\$ -	\$ 812,103

The Company had no assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of or during the years ended September 30, 2011 and 2010.

Note D - Securities Held in Inventory

Securities inventory at September 30, 2011 and 2010 consist of the following:

	2011	2010
Kentucky city and county municipal securities	\$ 217,467	\$ 686,172
State agency tax-exempt fixed income securities	223,721	76,074
Kentucky taxable fixed income securities	-	15,012
	\$ 441,188	\$ 777,258

Securities held in inventory are carried at fair value. For those securities valued at more or less than purchase cost, differences are reported in the consolidated statements of operations as an unrealized gain or loss. There were no unrealized gains or losses at September 30, 2011 and 2010.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note E - Property, Plant and Equipment

Property, plant and equipment at September 30, 2011 and 2010 consist of the following:

	2011	2010
Office equipment	\$ 25,663	\$ 25,663
Furniture and fixtures	2,257	2,257
Leasehold improvements	1,385	1,385
	<u>29,305</u>	<u>29,305</u>
Less accumulated depreciation	<u>29,305</u>	<u>29,305</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note F - Insurance - Cash Surrender Value

As of September 30, 2010, an insurance policy carried on the life of one officer had a cash surrender value of \$19,682. During 2011, the Company redeemed the policy for the cash surrender amount.

Note G - Note Payable

The Company enters into annual note agreements dated January 1, with their clearing broker (RBC Dain) to provide for borrowings on margin. The Company's total borrowing capacity is dependent upon the amount of securities and cash maintained on account with RBC Dain but is not to exceed 85% of the value of these amounts (approximately \$460,000 as of September 30, 2011). The following were the total amounts outstanding on margin as of September 30:

	2011	2010
Borrowings on brokerage margin account at RBC Dain. The interest rate is 2.022% at September 30, 2011.	\$ 200,710	\$ -
Borrowings on brokerage margin account at RBC Dain. The interest rate is 1.98% at September 30, 2010.	<u>-</u>	<u>684,047</u>
Total	<u><u>\$ 200,710</u></u>	<u><u>\$ 684,047</u></u>

Interest on the above notes varies based on certain market indices. The notes are secured by securities held in inventory. Interest expense for the years ended September 30, 2011 and 2010 totaled \$6,162 and \$6,081, respectively.

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note H - Income Taxes

The provision for income taxes at September 30, 2011 and 2010 consists of the following:

	2011	2010
Current Provision / (Benefit)		
Federal	\$ 27,015	\$ -
State and Local	4,191	-
Total Current Provision / (Benefit)	31,206	-
Deferred Expense (Benefit)	38,196	(55,605)
Total Expense (Benefit)	<u>\$ 69,402</u>	<u>\$ (55,605)</u>

The Company's deferred tax assets as of September 30, 2011 consists of provisions for deferred revenue and for 2010 consists of net operating loss carryforwards which are expected to be utilized as the Company has net income from operations. The net operating loss carryforwards have been utilized in 2011.

There are no deferred tax liabilities as of September 30, 2011 and 2010.

A valuation allowance is provided if it is more likely than not that some portion of the deferred tax asset will not be realized. Management believes that no allowance is necessary under this criteria and accordingly no allowance was recorded.

Note I - Commitments and Contingencies

Operating Leases: The Company leases office space in two facilities under month-to-month leases and a non-cancelable operating lease expiring in 2015. The Company recognizes rent expense on a straight-line basis over the life of the lease. Rent expense under these leases was \$135,199 and \$127,538 for 2011 and 2010, respectively. Future minimum payments under these leases are as follows:

Years Ending September 30,	Amount
2012	\$ 84,803
2013	82,067
2014	83,130
2015	70,014
	<u>\$ 320,014</u>

First Kentucky Securities Corporation and Subsidiary
Notes to Consolidated Financial Statements (Continued)
September 30, 2011 and 2010

Note I - Commitments and Contingencies (Continued)

Legal and Regulatory Matters: The Company is a registered broker-dealer and as such is subject to the oversight of those who regulate the industry, including FINRA, the United States Securities and Exchange Commission, and the Securities Commission of Kentucky. As part of the regulatory process, the Company is subject to routine examinations, the purpose of which is to determine the Company's compliance with rules and regulations promulgated by the examining authority. It is not uncommon for the regulators to assert, upon completion of an examination, that the Company has violated certain of these rules. The Company endeavors to correct such asserted violations in a timely manner. In certain circumstances the Company may be subject to fines or violations.

Note J - Retirement Plan

The Company has established a Simple IRA Plan. Employee contributions are through payroll deductions. The Company, at its discretion, matches employee contributions up to 3% of the employees' salary. Contributions by employees and employer are limited to amounts permitted by current tax laws. Total expenses incurred by the Company for the years ended September 30, 2011 and 2010 were \$43,665 and \$51,381, respectively.

Note K - Compensated Absences

Employees of the Company are entitled to paid vacation, sick days, and personal days, depending on job classifications, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Company's policy is to recognize the costs of compensated absences when paid.

Supplementary Information



Mountjoy
Chilton
Medley LLP

Independent Auditor's Report on Supplementary Information

To the Board of Directors
First Kentucky Securities Corporation and Subsidiary

We have audited the accompanying consolidated financial statements of First Kentucky Securities Corporation and Subsidiary as of and for the years ended September 30, 2011 and 2010 and have issued our report thereon dated November 28, 2011. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

Louisville, Kentucky
November 28, 2011

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First Kentucky Securities Corporation and Subsidiary
Schedule I- Comparative Computation of Net Capital Under 15c3-1 of the
Securities and Exchange Commission
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Stockholders' Equity ("Net Capital")	\$ 411,866	\$ 314,102
Deductions and/or Charges		
Non Allowable assets		
Accounts receivable	12,496	16,309
Deferred assets	<u>39,280</u>	<u>77,476</u>
Total Deductions	<u>51,776</u>	<u>93,785</u>
Net Capital before Percentage Reductions	360,090	220,317
Pursuant to rule 15c3-1		
Reduction of securities held in inventory	<u>(21,239)</u>	<u>(45,283)</u>
Net Capital	<u>\$ 338,851</u>	<u>\$ 175,034</u>
Aggregate Indebtedness		
Accounts Payable, Accrued Liabilities and Deferred Revenue	<u>\$ 198,713</u>	<u>\$ 90,689</u>
Computation of Basic Net Capital Requirement		
Minimum Net Capital Required	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Excess Net Capital	<u>\$ 238,851</u>	<u>\$ 75,034</u>
Ratio of Aggregate Indebtedness to Net Capital	.59 to 1	.52 to 1
Reconciliation with Company Calculation		
Net capital as reported in focus report	\$ 349,574	\$ 181,657
Audit adjustments to account balances	<u>(10,723)</u>	<u>(6,623)</u>
Net Capital (Above)	<u>\$ 338,851</u>	<u>\$ 175,034</u>

See independent auditor's report on supplemental information.

First Kentucky Securities Corporation and Subsidiary
Schedule II- Information Related to Subordinate Liabilities
Required by Rule 17-A-5
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Statement of Changes in Subordinate Liabilities		
Subordinated Liabilities at Beginning of Year	\$ -	\$ -
Increase in liabilities	-	-
Decrease in liabilities	<u>-</u>	<u>-</u>
Subordinated Liabilities at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report on supplemental information.

First Kentucky Securities Corporation and Subsidiary
Schedule III- Information Related to Possession or Control Requirements
Under SEC Rule 15c3-3
Year Ended September 30, 2011

Because of the following, the Company is exempt from Rule 15c3-3 under the provisions of Section (k)(2):

The Company clears all transactions with and for customers on a fully disclosed basis with an independent clearing broker or dealer. The Company promptly transmits all customers' funds and securities to the clearing broker or dealer, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rule 17a-3 and Rule 17a-4 of the SEC (as are customarily made and kept by a clearing broker or dealer).

See independent auditor's report on supplemental information.



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**Independent Auditor's Report on Internal Control Required by
SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption
from SEC Rule 15c3-3**

To the Board of Directors
First Kentucky Securities Corporation and Subsidiary

In planning and performing our audit of the consolidated financial statements of First Kentucky Securities Corporation and Subsidiary ("the Company"), as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

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**Independent Auditor's Report on Internal Control Required by
SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption
from SEC Rule 15c3-3 (Continued)**

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Louisville, Kentucky
November 28, 2011



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